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TO: Board of Directors, Wasatch Mountain Railway

SUBJECT: Director's Meeting, Thursday, March 16, 1972, 2:00 P.M., Lowe's Office

AGENDA:

1. Proposal for Concession Agreement from Del Wallengren covering concept for night club operation. (Copy of his resume enclosed). Also, a brief resume of the Managements projections as to income, number of runs, budget, and analysis of costs per run. Please bear in mind that these figures cover the projected season and cost relative to a years operation.

Comment on Costs used by Del, Credited to Lowe: These costs were arrived at by just taking the absolute direct costs of wages for train crew, projected rate of pay per hour, limited to about 4 hours per trip and the absolute minimum of fuel and oil and grease, assuming that all other costs were absorbed by the excursion runs. This is unfair in that it could be interpreted as making the excursion run subsidize the night club concept, but was meant to show that after minimum yearly costs were absorbed by the excursion runs, the additional runs within the same season could be added at very little additional cost. Also, the costs used do not include depreciation and interest on the required investment in this concept. If there are additional excursion run opportunities, we would make far more money on excursion runs than we would on Night Club runs. The value of the Night Club Concept is that it provides a use of the train at a time which would probably never be other wise utilized by excursion runs. Even based on that assumption, the costs were meant primarily to enhance the total concept in the eyes of potential lending institutions, and not to be used as the base for justifying the addition of any particular service. We must develop costs based on an average cost per mile, or cost per run, and base our number of runs on break even and additional runs income.

We must have a full season behind us before we can determine exactly where our costs per year are going to be, and then take the number of total runs

we project, both excursion, charter, and night club, to come up with competent average costs per run, or per day, etc. Any, only after this first year will we be able to separate fixed costs from variable costs. I would prefer that we do not look at the expenses applicable to the Night Club Concept, but use judgement in trying to determine if the additional revenue potential offsets the probable increase in costs and investment. Also, in the lease with the State, the clause that requires a payment of 5% of total gross, the Attorney General has ruled that this must be 5% of total gross, not 5% of income to the railroad. Therefore, in Del's cost figures, the \$8.00 per person charge must have a 5% or 40cent per person expense payable to the State. This would reduce income, in his "Income Conservative" estimate, an additional cost of \$3,072.00 per year.

2. Gift - Novelty Concessionaire

Since the visit of our railroad appraisor, Mr. Bill Heckman, we have also considered a concessionaire in our terminal building on novelties and gifts. We would contact various people in the Heber City - Park City - Provo area that already have gift and novelty businesses, asking them if they are interested in the establishment of a branch in our terminal building. We would then be free of the problem of inventory and personel, and since our season is so short in the initial stages, I would estimate that our net would be greater on a concession agreement. I would appreciate thought and comment.

Excursion Ride and Terminal Income - 1972

Open May 27th to September 3rd (Labor Day) on a daily basis. Closed Tuesdays. Weekends only until Columbus Day (October 9th).

Proposed Train Mix: Six open air cars, one combine, one lunch diner, one conventional diner. 50 people per open air car, 40 in combine, 20 in lunch diner, 45 in conventional diner. Total maximum capacity: 408. (It is conceivable that the open air cars could be expanded to 65 each on real crowded days.)

Night Club Train Mix: One dance car (UP baggage), two conventional diners, one dome lounge Maximum capacity - 154 patrons. (could expand on busy nights with a hospital car redone, or our observation car as an extra lounge car).

Month	Weekdays	Weekend days	Holidays	Total Operating Days
May	1	2	1	4
June	18	8	-	26
July	16	10	2	28
August	16	8	2 (Fairdays)	26
September	9	1	1	11
October	-	3	1	4
Total	61	32	8	99

Assume one run per day on weekdays, 75% capacity 61 X 306 = 18,666

Assume 2 runs per day on weekends, 1 @ 75%, 1 @ 100% 32 X 306 = 9,792

32 X 408 = 13,058

Assume 2 runs per day on holidays at 100% capacity 16 X 408 = 6,528

Total Patrons 48,044

Total amount of gross based on \$4.00 adult, \$2.00 child \$158,810.00
Less Sales Tax -7,146.45

Net Sales \$151,663.55

Terminal Income: Calculated at \$25,000.00 with a 40% gross margin,
(expenses are part of general company expense) \$10,000.00

Possible Increase in Excursion Runs if the Traffic Warrents It

If the month of June exceeds our expectations, we could increase our operations during July and August and Labor Day by making two runs per day on weekdays, and three on holidays and weekends. This would give us an additional 56 trips, assume we could average 250 patrons per trip, 65% Adult, 35% Child:

14,000 Patrons:	9,100 adult @ \$4.00 =	\$36,400.00
	4,900 child @ \$2.00 =	<u>9,800.00</u>
		\$46,200.00
	less sales tax	<u>-2,079.00</u>
	gross revenue	\$44,121.00

Costs would be -	Wages:	\$110.18
	Other:	<u>\$102.13</u>
		\$212.31
	X 56 =	\$11,040.12

1972 Budget on Expenses for Excursion Run and Terminal Operating Budget

Wages: During 1971, Office, Train Crew, Engine Crew and Maintenance averaged \$95.81 per run, \$148.33 per operating day. We propose to add 15% for wage increase, \$1,000.00 to prepare trains for summer Maintenance, therefore total wages for this group: \$18,000.00.

Yard Help: Including track sweep crew, will be budgeted at \$3,500.00

Track Gang: This first year, since the work is so extensive, will be assigned to Capital Investment. The budget will be geared to \$100,000.00, including materials and labor for the year. From this year on, much of track gang will be expenses.

General and Administrative: This wage category will include Dennis, Ed, Merle and Lowe (if he gets any) for the entire year, not just the operating season.

Wages and miscellaneous and restoring primarily Gordon on the off season.

Wages: Office, Train Crew, Engine Crew and Maintenance	\$18,000.00
Wages: Yard help, track sweeping etc.	3,500.00
Wages: General and Administrative	20,000.00
Wages: Misc. and restoring	2,500.00
Wage Factor: 15% for Company FICA, Fringe benefits, etc.	6,600.00
Fuel Costs: Allow for full year, March 15th to Nov. 15th	10,000.00
Oil and Grease Allowance:	500.00
Repairs & Main. Allowance: Major repairs, repainting, etc.	10,000.00
Allowance for major overhauls on engines	4,000.00
Advertising Budget	10,000.00
Legal and Accounting (after costs of public issue)	2,500.00
Insurance (present policy expires in July 1972)	12,000.00
*Lease costs (see next page)	2,777.00
Telephone and utilities, including water treatment:	2,500.00
Cleaning, Laundry and Office Expense (incl. tickets)	1,500.00
Truck Expense	1,500.00
Promotion Expense (as differs from media) ie. Golf prom. etc.	2,500.00
Contingency	6,000.00
Taxes, Licenses, etc.	4,000.00
**Depreciation (see next page)	20,000.00

Subtotal \$140,377.00

***Interest: (see next page) based on borrowing \$165,000.00

6,322.00

Total \$146,699.00